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UNITED STATES DEPARTMENT OF AGRICULTURE  
FARM SECURITY ADMINISTRATION

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PROGRAM ANALYSIS REPORT RR - 19  
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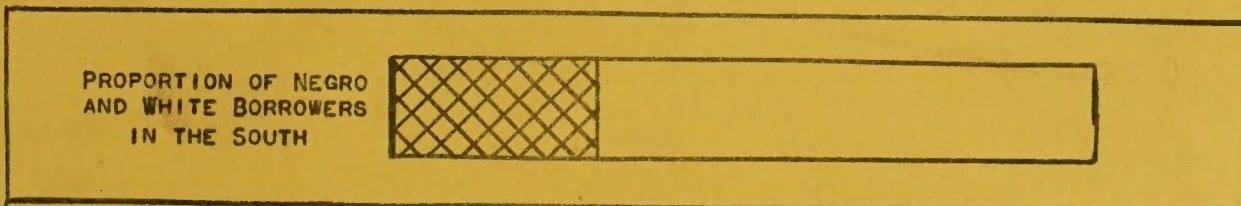
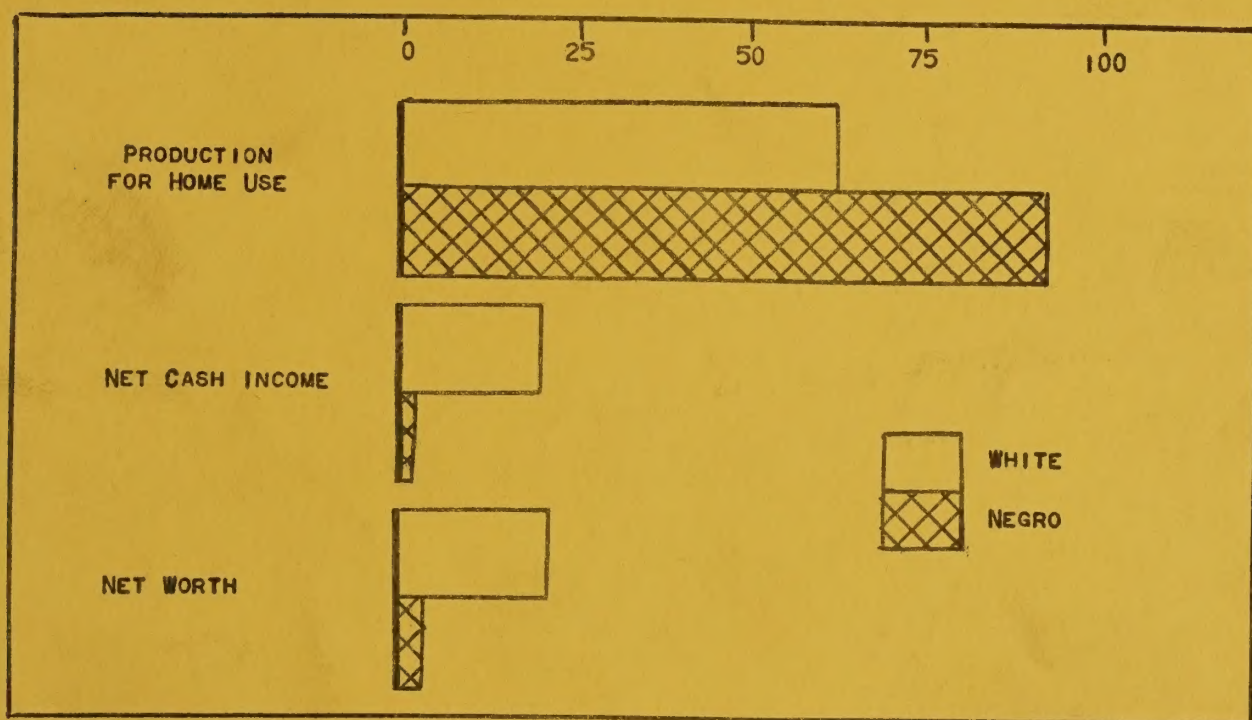
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U.S. DEPARTMENT OF AGRICULTURE

REHABILITATION PROGRESS AMONG NEGRO AND WHITE  
RR BORROWERS IN THE SOUTH

PERCENT INCREASE SINCE COMING ON THE PROGRAM



PLANNING AND ANALYSIS SECTION  
RURAL REHABILITATION DIVISION

DECEMBER 1, 1941





## Introduction

The FSA tackled a man-sized job in the South in 1935. Not only was the extent of rural poverty much greater than in the rest of the Nation, but the causes were more deep rooted and complex.

The relation of man to land is the most unbalanced of any area in the United States, as indicated by the 1940 census figure of \$2,500, total value of land, buildings and machinery per family in the South, as compared with \$12,170 in the Upper Corn Belt and \$20,370 in California. Not only are there fewer acres of land for each family--these few acres are often seriously eroded.

Victims of a long established farming system, these low-income farmers in the South (both Negro and white) lacked not only capital, their tenure was insecure, they had little experience with written leases, experience with diversified farming was rare and many operators were incapable of managing capital resources.

Relative to the size of the problem, the FSA has probably made more significant progress in the South than in any other area of the Nation. Touching 14 percent of all farmers in the South, it has tackled broad-side many of the deep seated causes of rural poverty. A sounder tenure pattern is being developed. For the first time thousands of farm operators and landlords are using written leases. Thousands of former share-croppers are now getting a chance to manage their own farming enterprises. Home production of food, especially among Negro families, has been greatly improved. Improvement in "cash" living, however, is not so bright. Cash income has increased but little, therefore there has been little chance for many borrowers to pay off debts or build up net worth. There has been little surplus above consumption needs. The demands for family living have been so great, that many RR borrowers in the South have actually lost in net worth since coming on the program.

The purpose of the material in the following pages is to present, insofar as possible, a realistic picture of the progress being made by RR families in the South (Regions IV, V, VI and VIII). The data presented for both Negro and white families were taken from the 1940 Annual Family Progress Report of Active Standard Rehabilitation Borrowers.

Introduction

The purpose of this study is to determine the effect of the new tax law on the income of the individual taxpayer. The study is based on the data of the Internal Revenue Service for the year 1964.

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## A BRIEF SUMMARY

1. The average Negro borrower is three years older than the average white borrower and has only half the schooling. He has a farm two-thirds the size of the average white borrower but his net worth and net cash income are proportionately much lower and his farm expenses are proportionately much larger.
2. Both races made great gains in improving family living. Negroes increased their production for home use 91 percent and whites 62 percent since coming on the program.
3. Negro borrowers increased their net incomes at a faster rate than white borrowers, or 44 percent compared to 38 percent. This was primarily due to the much greater proportionate increase in production for home use by Negroes.
4. White borrowers increased their net cash incomes by \$48 and their value of products grown for home use by \$115. Negro borrowers increased their net cash incomes by only one dollar whereas they increased the value of products grown for home use by \$120. They even lost in cash income in Alabama, Louisiana, Mississippi and West Virginia. Some means must be found to increase the cash income of all borrowers, especially Negroes, if they are to make sustained progress towards rehabilitation.
5. White borrowers have increased their net worths since coming on the program at an average rate seven times that for Negroes or 21 percent compared to 3 percent. One-third of all borrowers, however, were losing equity in their assets by the end of the 1940 crop year and one-fifth of the Negro borrowers did not have any equity in their assets. Both white and Negro borrowers lost net worth in Alabama and Florida and Negroes also lost in West Virginia.
6. Practically all borrowers of both races have loans outstanding and over one-third have \$500 or more in unpaid loans. The average amount outstanding was \$438 for Negroes and \$473 for whites. Approximately four-fifths of each racial group has received at least one supplemental loan with an average of slightly more than two per borrower for each group.
7. Negro borrowers showed greater proportionate gains in net income the longer they remained on the program. This was not true, however, for gains in net worth. Both Negro and white borrowers who have been on the program four or five years have made slow progress in building up capital resources. Of course the task of building up resources is a long-time job for most low-income farmers and many borrowers will need to remain on the program well beyond five years.





## I. FAMILY AND FARM CHARACTERISTICS OF WHITE AND NEGRO RR BORROWERS IN THE SOUTH 1/

The typical Negro standard RR borrower is 47 years of age and has had about four years of schooling or one year less than his wife. The six members of his family live in a 4-room house located on a 66-acre farm. About half of the farm or 34 acres is planted in crops. His net worth at the end of 1940 was \$400. His net income for the year was \$394 of which \$142 or 36 percent was in cash and rental value of the dwelling occupied. When he came on the program he got his debts reduced by \$9. During the 1940 crop year he received \$42 in grants.

The typical white standard RR borrower in the South is 44 years of age and has had 6.5 years of schooling or about one year less than his wife. The five members of his family live in a 4-room house located on a 101-acre farm. Over two-fifths of the farm or 44 acres are planted in crops. His net worth at the end of 1940 was \$964. His net income for the year was \$587 of which \$287 or 49 percent was in cash and rental value of the dwelling occupied. When he came on the program he got his debts reduced by \$14. During the 1940 crop year he received \$37 in grants.

The average Negro borrower is three years older than the average white borrower and has had only about half the schooling. He has one more member in his family but only two-thirds as large a farm for them to work. Although a greater proportion of his farm is under cultivation he has actually 10 acres less in crops. Compared with the white borrower his net worth is two-fifths as great, his net income is two-thirds as great, and his net cash income is one-half as great.

### Family Characteristics

The average standard RR borrower in the South is over 40 years of age. The typical Negro borrower is somewhat older than the typical white borrower, or 47 to 44 years respectively. More relatively young white operators are getting a chance to acquire a good start in farming as the average age would indicate. Twenty-six percent of the white borrowers are under 35 years of age as compared with 18 percent Negro. On the other hand only 19 percent white are 55 years of age and over as compared with 28 percent Negro. Thus, over half of the white borrowers are under 45 years of age as compared with only two-fifths of the Negro. (Table 1)

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1/ Included among Negroes in this survey are a few Indians and members of other races. Negroes account for 98.8 percent of the group.





Table 1. Percent Distribution of White and Negro  
RR Borrowers in the South by Age of Head  
At End of the 1940 Crop Year

Age of Head	Percent			
	White	Negro	White	Negro
Total Number <sup>1/</sup>	34,793	11,970	Cumulative	Cumulative
Total Percent	100	100	"	"
Under 25 yrs.	3	2	3	2
25 - 34 "	23	16	26	18
35 - 44 "	29	25	55	43
45 - 54 "	26	29	81	72
55 - 64 "	15	19	96	91
65 yrs. and over	4	9	100	100
Average age	44	47	-	-

<sup>1/</sup> Borrowers included in sample for the 1940 Family Progress Report in the South - Regions IV, V, VI and VIII. All tables are based on this report and these totals.

Negro borrowers have on the average about half the schooling of whites or 3.9 to 6.5 grades. (Table 2). Almost four Negroes to one white have had no formal schooling and three Negroes to one white only finished third grade. On the other hand four whites to one Negro went beyond the seventh grade. Approximately nine-tenths of the Negroes stopped school before reaching eighth grade to about six-tenths of the whites.

Considering the age of these borrowers and the time they went to school it is clear that a majority of the white and even more of the Negro have gained their knowledge of farming from experience instead of from school. Even so, the whites no doubt had the better opportunity to learn since their schools are invariably better equipped and staffed and they have better access to the various sources of information concerning farming methods and techniques. The white operator also generally has greater chance to develop managerial ability. The average white borrower therefore probably is in even a better position relative to the Negro borrower than his schooling indicates.

Table 2. Percent Distribution of White and Negro  
RR Borrowers in the South by Education  
of Head and of Wife, 1940

Education	Head				Wife			
	White	Negro	White	Negro	White	Negro	White	Negro
Total percent	100	100	Cumulative		100	100	Cumulative	
No formal education	4	15	4	15	3	9	3	9
1 - 3 grade	10	30	14	45	5	21	8	30
4 - 7 grade	47	44	61	89	43	52	51	82
8th grade and over	37	7	98	96	46	14	97	96
Not reported	1	1	99	97	1	1	98	97
No wife - husband	1	3	100	100	2	3	100	100
Average Grade	6.5	3.9	-	-	7.2	4.9	-	-







Farm wives have on the average one year more schooling than their husbands. Negro farm wives have about two-thirds the schooling of white farm wives or 4.9 to 7.2 grades. (Table 2). Three Negro wives to one white have had no formal schooling and about four to one finished only the third grade. On the other hand over three whites to one Negro went beyond seventh grade. Approximately eight-tenths of the Negro farm wives stopped school before reaching eighth grade to about half of the whites. It is evident, therefore, that much of the training of farm wives came from other sources than schooling.

Practically every standard RR household includes a husband and wife among its members. Only 3 percent of the white and 6 percent of the Negro households had one or the other missing. Though the proportions were small, three times as many Negro households were without husbands and one and a half times as many were without wives as were white households. (Table 2).

Standard borrower families tend to be larger than the average farm family. The average rural family has 4 members<sup>2/</sup> as compared with 5 members for the average white borrower family and 6 members for the average Negro borrower family. In each case the difference is significant. It is impossible to determine from the available material however, how many members of these families are of work age or the sex ratio.

Both white and Negro borrower families live in about the same size of house. That is the average for each is 4 rooms. The relative condition of these houses cannot be determined. But, if the general pattern for the South holds for borrower-families the whites have much the better houses. At any rate, they have on the average more room per person or .80 to .67 room per person.

#### Farm Characteristics

Over 95 percent of both Negro and white borrowers are owners and tenants. The remainder are sharecroppers and laborers. About one-fourth of the Negroes are owners and seven-tenths are tenants. Over one-third of the white borrowers are owners and six-tenths are tenants. In 1939 nine out of ten Negro tenants with leases reported having a written lease as compared with eight out of ten white tenants. Moreover Negroes had a longer term of lease. Nearly one-fourth of the leases held by Negro borrowers ran for five years as compared with only about an eighth of those held by white borrowers. The average term of lease was 2.2 years for Negroes and 1.8 for whites.<sup>3/</sup>

Negro borrowers operate much smaller farms than those operated by white borrowers. The average Negro farm is only 66 acres or 65 percent as large as the average white farm of 101 acres. (Table 3). They have also a smaller acreage under cultivation or 34 to 44 acres for whites. In proportion to size of farm however a greater part of the Negro farm is in crops or 52 percent to 44 percent for whites. With a much smaller acreage not in cultivation and available for pasture and woodland Negro borrowers cannot afford to have the cattle and wood supply possible on white farms.

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<sup>2/</sup> U. S. Census, 1940.

<sup>3/</sup> Report of Family Progress, 1939.





Table 3. Comparison of Selected Averages for White and Negro RR Borrowers in the South for 1940

Selected Averages	White	Negro	% negro of white
Number in family	5	6	-
Number of rooms	4	4	-
Size of farm - acres	101	66	65
Land in crops - acres	44	34	77
Percent in crops	44	52	-
Net worth	\$964	\$400	41
Gross Income	\$780	\$535	69
Net Income	\$587	\$394	67
Net cash income	\$287	\$142	49
Home Use Goods	\$300	\$252	84
Farm Expense	\$193	\$141	73
Debt Reduction	\$ 14	\$ 9	64
Grants	\$ 37	\$ 42	114

With smaller farm enterprises, it is no more than expected that Negroes should have smaller net worths, incomes (gross, net and cash) and operating expenses than white borrowers. These items however, are not in direct ratio with the proportionate size of the business. Whereas the average size of the Negro farm is 65 percent of the white's, the average net worth and net cash income are only 41 and 49 percent respectively. The average gross and net incomes of Negroes are proportionately slightly larger or 69 and 67 percent respectively due to a much greater proportion (84%) of the value of home use products. Despite a relatively greater income the average cash farm expense was even greater or 73 percent. The average Negro borrower therefore has a significantly lower net worth and net cash income in relation to the size of his farm than the average white borrower; the latter is due in part to the fact that he also has a significantly larger cash operating expense.

## II. RELATIVE PROGRESS OF SOUTHERN WHITE AND NEGRO RR BORROWERS

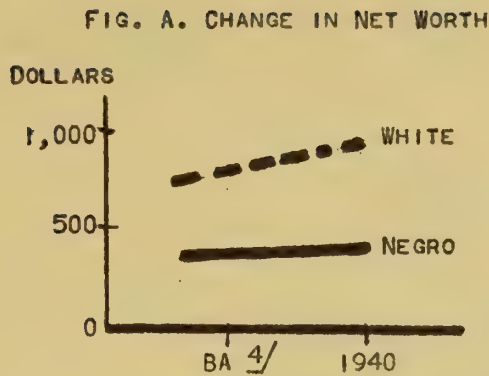
During the crop year of 1940 active standard rural rehabilitation borrowers in the South made progress. They increased their net worths, net incomes and value of the goods that they produced for home use. At the same time they increased their farm expenses.

But how was this progress shared by the two races of southern borrowers? The following paragraphs present some data on this question.





# Net Worth



Negro borrowers increased their net worth (the total amount of their belongings and resources, excluding real estate, over and above their debts including FSA loans) only about one-seventh as fast as white borrowers. The average before-acceptance net worth of Negroes was \$389 compared with \$400 at the end of 1940 -- a gain of only three percent. During the same period, white borrowers were gaining 21 percent in net worth; their average net worth

increasing from \$794 to \$964. The actual amount of increase was \$170 for white families as compared with only \$11 for Negroes.

White borrowers, then, had twice as large net worths both the year before-acceptance and at the end of 1940. And in 1940 a much larger proportion of Negro borrowers than white had liabilities greater than their assets. One out of every five Negro families on the program had a "minus net worth" in 1940 -- that is, his liabilities were greater than his assets. Among the whites the proportion was one in eight. Moreover, only three percent of the Negroes had a net worth of \$1,000 and over compared with 13 percent of white borrowers in this category. (Table 4).

Table 4. Percent Distribution of White and Negro RR Borrowers in the South by Net Worth at the End of the 1940 Crop Year

Net Worth	Percent	
	White	Negro
Total	100	100
Minus	12	23
Under \$500	49	60
500 - 999	26	14
1000 and over	13	3
Average	\$964	\$400

Both white and Negro borrowers had lower net worths in 1940 than in 1939, but for white borrowers the difference was slight. The average net worth for white borrowers was \$976 in 1939 and \$964 in 1940. The drop in net worth for Negro borrowers was much greater -- from \$488 to \$400, a significant loss of

4/ The symbol "BA" used throughout this report stands for "the year before acceptance on the RR program."





18 percent. Moreover, despite an average gain in 1940 over the before-acceptance figure many Negro and white borrowers were losing equity in their assets. By 1940 nearly a third of the white borrowers had net worths below the before-acceptance figure and more than two-fifths of the Negro borrowers showed such a loss. (Table 5).

Table 5. Percent Distribution of White and Negro RR Borrowers in the South According to Percent Change in Net Worth Between the Year Before Acceptance and 1940

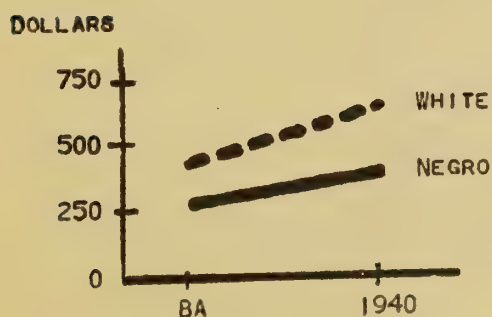
Percent Change in Net Worth	Percent	
	White	Negro
Total	100	100
Minus (-%)	32	46
Under 50	31	24
50 - 99	12	10
100% and over	25	20
Average % Change, 1940	21	3
Average % Change, 1939 <sup>1/</sup>	28	18

<sup>1/</sup> Report of Family Progress, 1939.

The single fact stands out that more than one-third of all RR borrowers in the South do not have the equity with which they came on the program.

#### Net Income

FIG. B. CHANGE IN NET INCOME



In net income, on the other hand, Negro borrowers showed a somewhat more rapid increase than white borrowers. During 1940 Negroes increased their net incomes 44 percent over the before-acceptance figure, or from \$273 to \$394. White borrowers had an increase in net income of 38 percent, or from \$424 to \$587. But, although Negro families increased their net income proportionately more rapidly than white families, the actual amount of increase was only three-fourths as great -- \$121 and

\$163 respectively -- and the net income of Negro borrowers in 1940 was only about two-thirds the amount for white borrowers.

The same story was true in 1939. In that year the average rate at which Negroes increased their net incomes exceeded the whites' by 14 percent, yet the actual amount was only 82 percent as great. Negroes increased





their net income over the before-acceptance figure by an average of 62 percent in 1939 compared with 44 percent in 1940, but the actual increase was about the same in both years -- \$129 and \$121. White borrowers showed an average increase of 48 percent in 1939 compared with 38 percent in 1940 with an actual increase of \$157 and \$163 for each year. This slower rate of increase in 1940 is probably accounted for by a higher before-acceptance figure for 1940. In 1939 the average before-acceptance net income was \$208 for Negroes and \$326 for whites, and in 1940 the respective figures were \$273 and \$424. This rise in before-acceptance net income for both races appears to be too great to be accounted for by sampling errors and may have resulted from an RR policy that permitted taking farmers on the program with larger net incomes in the latter year.

An examination of borrowers falling into different income classes shows a much wider fluctuation among Negroes than among whites. In 1940 more Negroes than whites received less net income than they did before becoming standard RR borrowers -- 24 percent compared with 22 percent. (Table 6). It is interesting to note that more Negroes increased their net incomes 100 percent and over in 1940 than white families. At the same time, it is well to remember that the actual amount of additional net income was smaller for Negro borrowers.

Table 6. Percent Distribution of White and Negro  
RR Borrowers in the South by Percent Change  
in Net Income between the Year Before  
Acceptance and 1940

Percent Change in Net Income	Percent	
	White	Negro
Total	100	100
Minus (-%)	22	24
Under 50	33	29
50 - 99	20	19
100 and over	25	28
Average Percent Change, 1940	38	44
Average Percent Change, 1939 <sup>1/</sup>	48	62

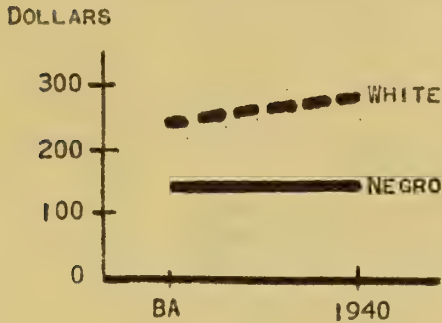
<sup>1/</sup> Report of Family Progress, 1939.





### Net Cash Income

FIG. C. CHANGE IN NET CASH INCOME

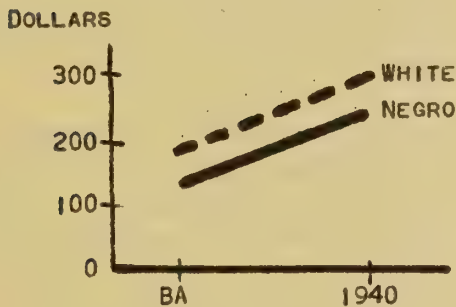


The Negro family on the RR program, despite its gain in net income, remained like other Negro families throughout the rural South -- lacking in cash. For an increase in net income on the farm does not necessarily mean a corresponding rise in cash income.<sup>5/</sup> Negro borrowers, while increasing their net income \$121 or 44 percent, increased the amount of net cash income over the year before acceptance by only ONE dollar. White borrowers were able to do much better but still little enough -- \$48. This

was an increase of 20 percent for white borrowers and barely one percent for Negro borrowers. The average increase in net income for Negro borrowers, therefore, was not in any way a result of their getting more cash.

### Home Produced Goods

FIG. D. CHANGE IN HOME PRODUCED GOODS



The major reason why Negro borrowers increased their net incomes at a faster rate than white borrowers was that they did a good job of producing family-living goods at home. Negro borrowers almost doubled the value of goods produced for home use in 1940 compared with their value the year before coming on the program. The average rate of increase in production for home use for Negroes was one-and-a-half times that for whites or 91 percent to 62 percent, respectively. The actual

amount of increase, however, was nearly the same -- \$120 for Negroes and \$115 for whites. Part of the greater proportionate rise for Negroes is therefore a result of the before-acceptance value of their goods being much lower than for whites -- \$132 compared with \$185.

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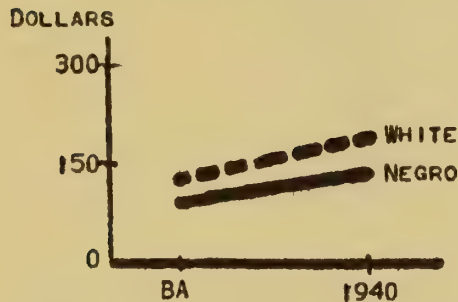
<sup>5/</sup> Cash income includes all cash received on or off the farm and also the rental value of the dwelling occupied.





### Farm Expenses

FIG. E. CHANGE IN CASH FARM EXPENSES



Farm expenditures increased at a faster rate for white borrowers than for Negro borrowers, or 44 percent and 36 percent, respectively. Farm expenses for white borrowers actually increased at a rate of six percent faster than net income. One possible reason for this may be that white borrowers were buying needed equipment and building up their equity in the assets of the farm, as is evidenced by their 21 percent rise in net worth. Negro borrowers, on the other hand, increased farm expenses at a rate of 10 percent slower

than net income. One reason is that they had no more cash to spend. The fact that their net worth increased by only three percent indicates that the cash that they did have was needed entirely for family living.

### Governmental Aid

In 1940 Negro borrowers received slightly larger total grant payments than white borrowers -- \$42 compared with \$37. The reverse was true in 1939 as white borrowers received \$35 in grant payments and Negroes \$29.

Information is not available on the amount of loans received by Negro and white farmers up to the end of the 1940 crop year. But, by the end of the 1939 crop year, the figure was \$606 and \$659 respectively.<sup>6/</sup> Although Negroes received smaller loans they were making repayments at a slightly faster rate. They had repaid 41 percent of their loans by the end of the 1939 crop year and white borrowers had repaid 39 percent. Nevertheless, for both races over one-half of the scheduled repayments were overdue.

At the end of the 1940 crop year the amount of RR loans outstanding was \$438 for Negroes and \$473 for white borrowers. Nearly all borrowers of each race had some loans outstanding -- 98 percent white and 99 percent Negro. (Table 7). Over one-third of each race had loans outstanding of \$500 or more. Considering that the average net cash income for white and Negro borrowers in 1940 was only \$239 and \$142 respectively, it is evident that they cannot make large repayments on loans even if the families go lacking for necessities. Moreover, they may not have sufficient cash for the following year's operating expenses and have to be made a supplemental loan.





Table 7. Percent Distribution of White and Negro RR Borrowers in the South by the Amount of Loans Outstanding at the End of the 1940 Crop Year

Amount of Loans Outstanding	Percent			
	White	Negro	White	Negro
Total	100	100	Cumulative	
None	2	1	100	100
Under \$500	62	64	98	99
500 - 999	30	32	36	35
\$1000 and over	6	3	6	3
Average	\$473	\$438	-	-

White and Negro borrowers, by the end of the 1940 crop year, had received on the average about the same number of supplemental loans since being on the program -- slightly more than two each. However, a greater proportion of Negro borrowers needed and received them - 82 percent to 77 percent white. (Table 8). A greater proportion of Negro borrowers have also received two or even five or more loans.

Table 8. Percent Distribution of White and Negro RR Borrowers in the South by Number of Supplemental Loans Received by the End of the 1940 Crop Year

Number of Supplemental Loans	Percent			
	White	Negro	White	Negro
Total	100	100	Cumulative	
None	23	18	100	100
One	30	32	77	82
Two	16	16	47	50
Three	9	9	31	34
Four	8	10	22	25
Five or more	14	15	14	15
Average	2.1	2.2	-	-

In the preceding paragraphs it has been shown that both white and Negro borrowers in the South continued to make progress towards rehabilitation during 1940 although at a slower rate than for the preceding year. White borrowers excelled in building up their equity and cash resources while Negro borrowers made greater gains in producing for family living. The question may be asked as to whether the gains made were general throughout the South. The following section will throw some light on this point.





### III. REHABILITATION OF WHITE AND NEGRO RR BORROWERS BY REGIONS AND STATES

#### Net Worth

Negro families in the South had an average net worth of \$389 before becoming active standard borrowers, ranging from \$257 in Alabama to \$2,082 in West Virginia. By the end of 1940 the average net worth of Negro borrowers was \$400 with only Alabama and Georgia of Region V falling below average. The average gain in net worth by the end of 1940 was \$11 or only three percent. (Table 9).

For those States showing an average increase, however, the range was from 11 to 44 percent. Regions IV, VI and VIII showed an average increase of one-fifth while Region V showed an average decrease of one-sixth. Alabama, Florida and West Virginia showed decreases in net worth of one-fifth or more. In Alabama where Negro borrowers had the smallest average net worth before becoming standard borrowers, these farmers actually lost two-thirds of their net worth by the end of 1940. Negroes in West Virginia had the highest average before-acceptance net worth and yet they lost 19 percent of their equity by the end of 1940. The three States, Alabama, Florida and West Virginia, that showed an average loss in net worth accounted for 24 percent of all Negro borrowers in the South.

Table 9. Average Net Worth of White and Negro RR Borrowers  
in the South for Year Before Acceptance and 1940  
by Region and State

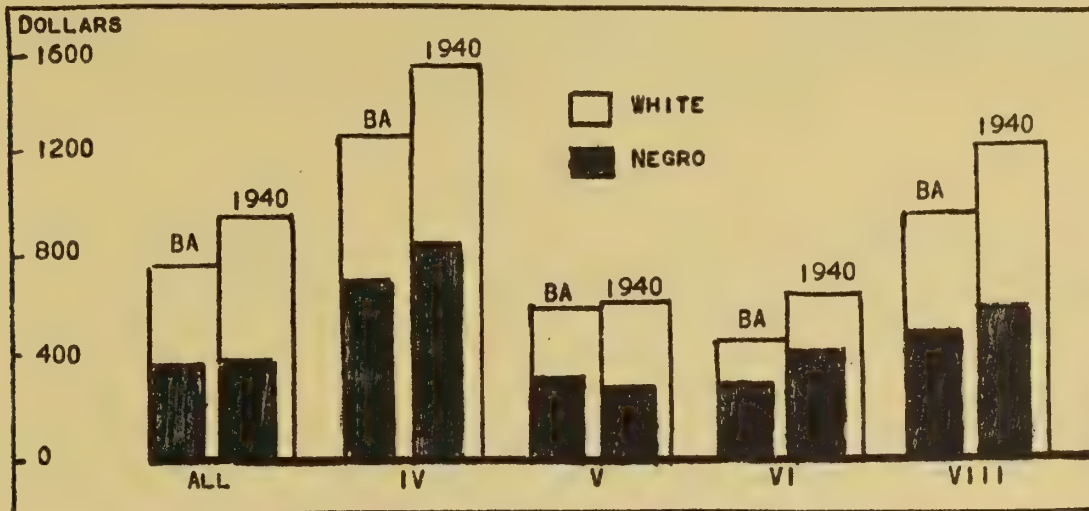
Region and State	Average net worth					
	Year		1940		Percent	
	before acceptance		crop year		change	
	White	Negro	White	Negro	White	Negro
The Four Southern Regions	\$794	\$389	\$964	\$400	21	3
Region IV	1,287	708	1,571	867	22	22
Kentucky	1,361	1,325	1,798	1,876	32	42
North Carolina	935	627	1,189	750	27	20
Tennessee	1,128	740	1,465	1,062	30	44
Virginia	1,283	724	1,503	880	17	22
West Virginia	1,712	2,082	1,830	1,695	7	-19
Region V	589	336	602	283	2	-16
Alabama	482	257	428	86	-11	-66
Florida	1,222	751	1,091	587	-11	-22
Georgia	365	263	484	328	33	25
South Carolina	563	385	681	436	21	13
Region VI	489	355	664	412	36	16
Arkansas	426	307	650	407	52	32
Louisiana	627	373	791	425	26	14
Mississippi	481	364	603	405	25	11
Region VIII	984	498	1,278	591	30	19
Oklahoma	781	428	1,079	554	38	29
Texas	1,185	515	1,475	601	25	17





White borrowers in the South had an average before-acceptance net worth of \$794, ranging from \$365 in Georgia to \$1,712 in West Virginia. In 1940 the average net worth of white borrowers had increased to \$964 or by 21 percent. In two States, Alabama and Florida, white borrowers had an average decrease of 11 percent in net worth. These two States accounted for only 14 percent of all white borrowers in the South.

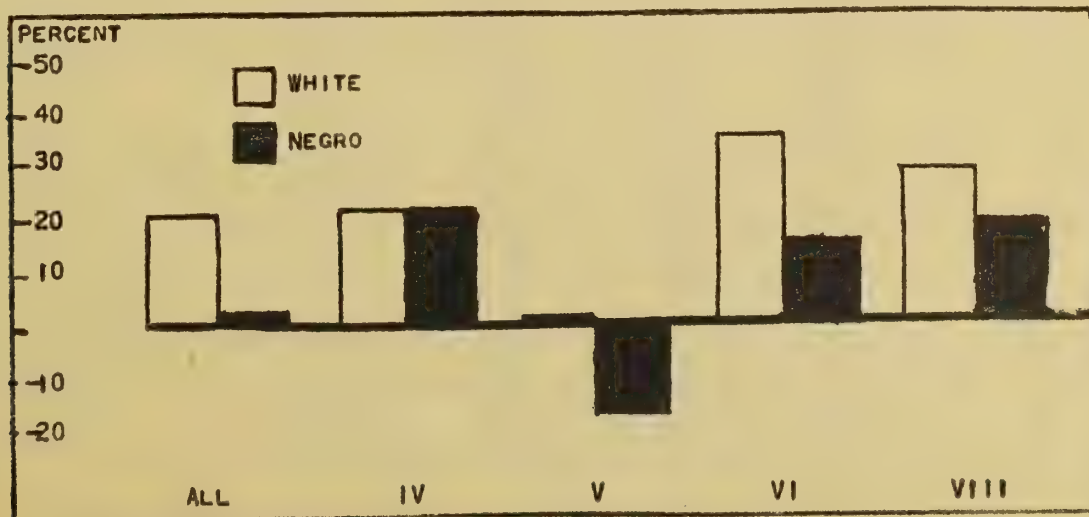
FIG. F. AVERAGE NET WORTH BY RACE AND BY REGION, BEFORE ACCEPTANCE, AND 1940

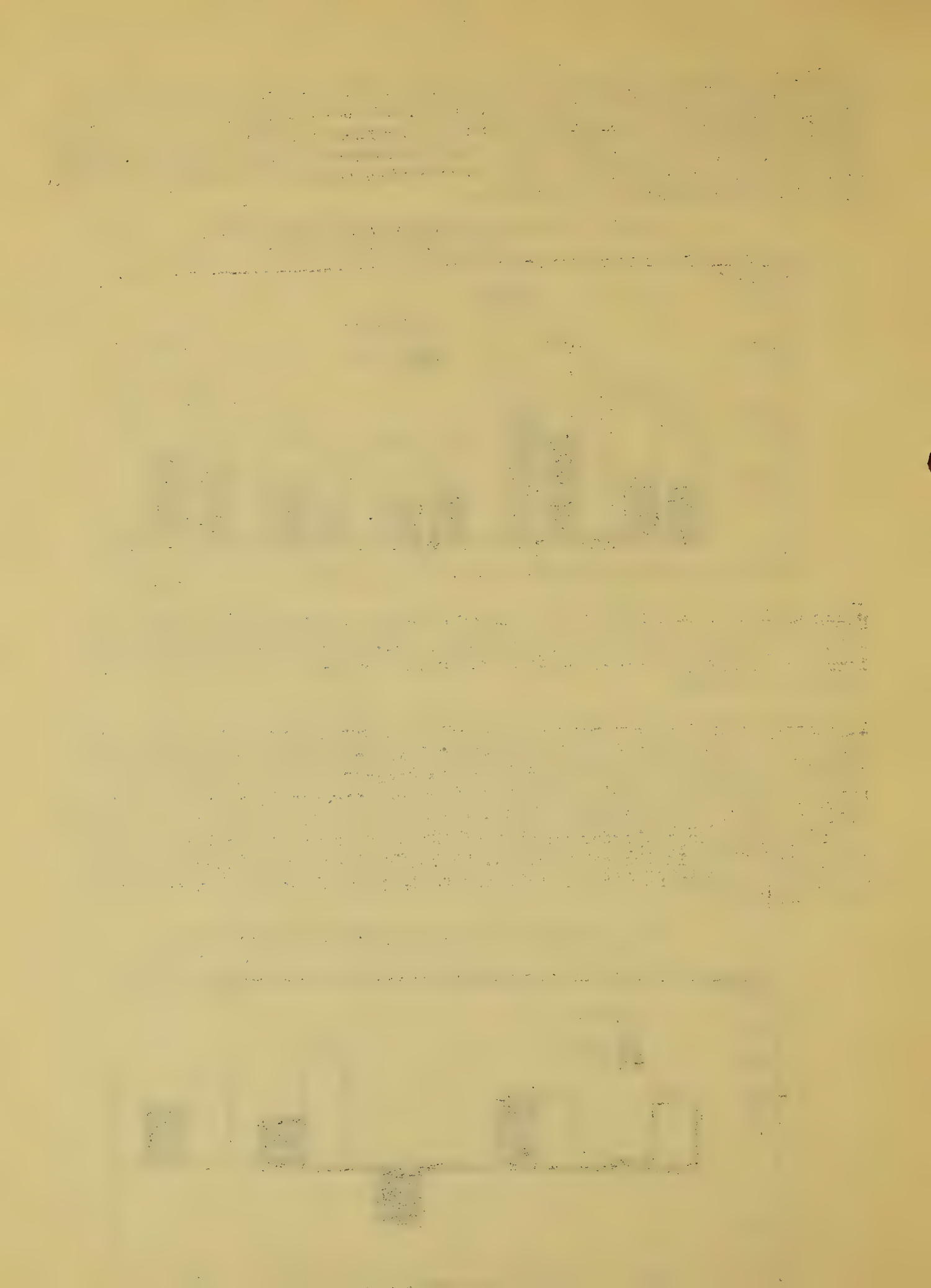


Negro borrowers invariably had a smaller before-acceptance net worth than white borrowers, except in West Virginia. Their holdings and assets were lower, or their debts were higher, or both. The same held true for 1940, except in Kentucky.

If percent change of net worth is regarded as one measure of progress, then the figures show that in this case white borrowers made more progress than Negroes in three out of the four Southern Regions and in the fourth the races were about the same. Region V shows up very poorly in relation to the other regions. White families there showed an average increase in net worth of only two percent whereas in each of the other regions the increase was over one-fifth. In the same region, Negro families lost 16 percent of their net worth in contrast with an increase of 19 percent or more in each of the other regions.

FIG. G. PERCENT CHANGE IN NET WORTH BY RACE AND BY REGION





The drop in net worth noted in Region V and in West Virginia may be attributed to several factors found more or less generally: 1. Live-stock may have been lost through death. 2. Buildings and equipment may have been destroyed by fire. 3. Assets may have been over-evaluated at the time of acceptance, with subsequent lower evaluations. 4. Debts may have been under-estimated at the time of acceptance. 5. Appraisals based on market value may have been rendered inaccurate by market price fluctuations. 6. The farmer may have decreased his equity in his assets as his liabilities increased. If payments on old FSA loans are not met where supplemental loans are made, the farmer's obligations may increase faster than his assets. Under these conditions his net worth may decrease even though he buys new equipment and adds to the value of the farm.

### Net Income

The average before-acceptance net income of Negro borrowers was \$273 with a range from \$162 in Alabama to \$654 in West Virginia. Only three States - Alabama, Georgia, and Texas - fell below the average but several others were only slightly above. By 1940 only four States were below the average of \$394 for all States. Despite an average increase of 74 percent in net income by Negro borrowers in Georgia, this State still fell below average. The range for 1940 was from \$177 in Alabama, still the lowest, to \$712 in Kentucky. (Table 10).

Table 10. Average Annual Net Income of White and Negro  
RR Borrowers in the South for Year Before Acceptance  
and 1940 by Region and State

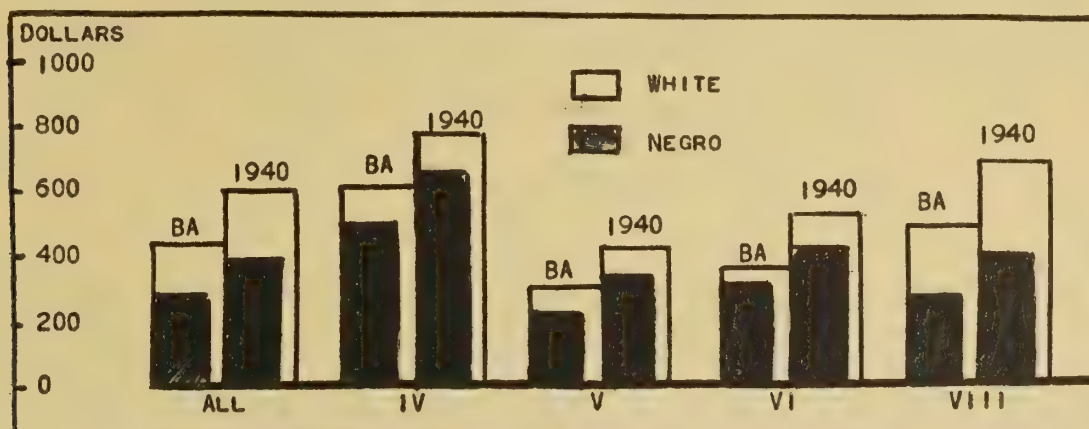
Region and State	Net family income					
	Year		1940		Percent	
	before acceptance		crop year		change	
	White	Negro	White	Negro	White	Negro
The Four Southern Regions	\$424	\$273	\$587	\$394	38	44
Region IV	611	494	783	656	28	33
Kentucky	613	565	789	712	29	26
North Carolina	632	530	807	706	28	33
Tennessee	530	453	709	618	34	36
Virginia	571	429	744	575	30	34
West Virginia	689	654	847	586	23	-10
Region V	309	217	431	328	39	51
Alabama	257	162	295	177	15	10
Florida	403	285	504	371	25	30
Georgia	293	220	468	383	60	74
South Carolina	360	275	594	489	65	78
Region VI	359	302	531	423	48	40
Arkansas	357	308	610	523	71	70
Louisiana	386	310	493	423	28	36
Mississippi	344	291	455	373	32	28
Region VIII	493	277	701	417	42	51
Oklahoma	489	302	703	486	44	61
Texas	498	270	699	400	40	48





With so few States falling below average for either year and such a wide range it is apparent that the net income of Negro borrowers are grouped at two extremes, with Region IV at one end and the remaining three regions at the other. All States in Region IV showed an average before-acceptance net income of over \$425 while all States in Regions V, VI and VIII showed average before-acceptance incomes below \$315, more than \$100 less. In 1940 three States in these latter regions managed to get within \$100 of the lowest figure for a State in Region IV. The same general picture also holds for white families. The lowest before-acceptance net income in Region IV was \$530 for Tennessee compared with \$498 in Texas, the highest for Regions V, VI and VIII. By 1940 the white borrowers in the two States of Region VIII showed marked increases in their net incomes and were only slightly below those with the lowest State average for Region IV. On the other hand, the white borrowers in Region V and VI lost ground and in each State they averaged \$99 or more below the lowest State figure in Region IV.

FIG. H. AVERAGE NET INCOME BY RACE AND BY REGION, BEFORE ACCEPTANCE, AND 1940



The average before-acceptance net income for white families in the Southern regions was \$424 with a range from \$257 in Alabama to \$689 in West Virginia. In 1940 the same two States were at opposite ends of the range - Alabama with an average net income of \$295 and West Virginia with \$847.

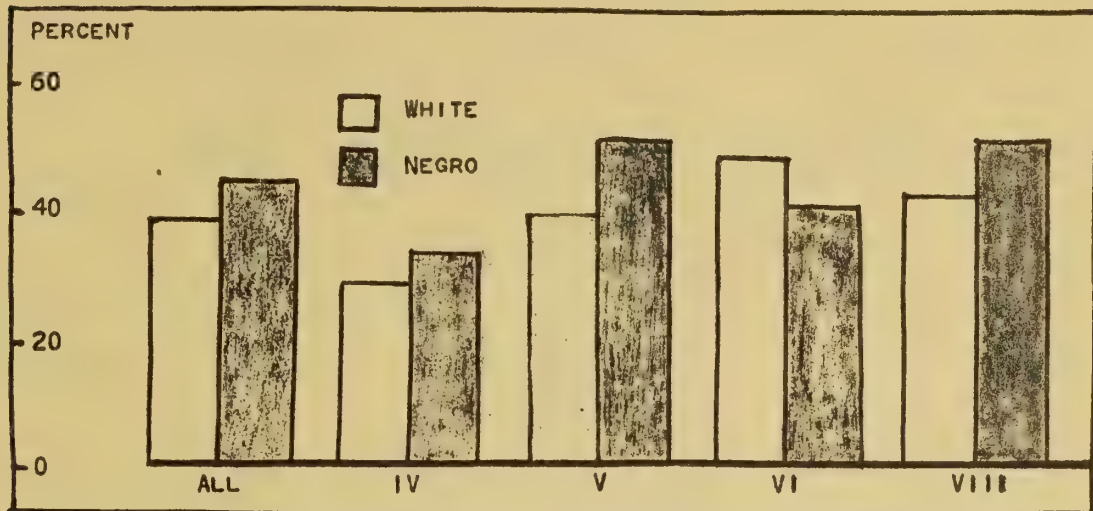
Negro borrowers invariably had a smaller before-acceptance net income than white borrowers. They derived less cash income from the sale of farm products and work off the farm. They also raised less products for home consumption. The same held true in 1940.

Nevertheless, if percent change of net income is regarded as a measure of progress, then the figures show that in this case Negro borrowers made more progress than white borrowers in three out of the four regions. In these three regions they had a 5 to 12 percent faster rate of increase in net income but in the fourth, Region VI, they had an eight percent slower rate of increase than the white borrowers. The rate of increase for white borrowers was greater than for Negroes in only five out of the 14 Southern States - Alabama, Arkansas, Kentucky, Mississippi, and West Virginia. No State showed an actual loss of income for whites, however, whereas Negroes in West Virginia were 10 percent below their before-acceptance net income.





FIG. 1. PERCENT CHANGE IN NET INCOME BY RACE AND BY REGION



Net Cash Income

Although net income for Negro borrowers increased faster than for white borrowers there was hardly any increase in net cash income. White borrowers had an average rise of \$48 in net cash income while Negro borrowers had an average rise of only ONE dollar. In no State or region did the actual amount of increase of cash for Negroes equal that for whites. The rate of increase, however, was greater for Negroes in three States - Georgia, Florida and Oklahoma. (Table 11).

Where Negroes made any gains at all in net cash income, the picture is much better than the average would indicate. In the nine States where there was an average gain in net cash, the range was from \$23 in Texas to \$81 in Kentucky. On the other hand an average loss in net cash, that is an average net cash income in 1940 that was smaller than that for the year before acceptance, was sustained in five States, ranging from \$11 in Louisiana to \$119 in West Virginia. In Alabama the decline in net income was even greater than the entire before-acceptance figure. This would indicate that Negro borrowers in Alabama are not only failing to increase their cash resources but are actually operating at a loss. By the end of the 1940 crop year Negro borrowers in Alabama also had lost two-thirds of their net worth. Alabama was also the only State in which white borrowers sustained an average loss in net cash income.



Table 11. Average Annual Net Cash Income of White and Negro  
RR Borrowers in the South for Year  
Before-Acceptance and 1940 by  
Region and State

Region and State	Average net cash income				Change in cash income			
	Year		1940		Amount		Percent	
	before acceptance		crop year		White	Negro	White	Negro
	White	Negro	White	Negro	White	Negro	White	Negro
The Four Southern Regions	\$239	\$141	\$287	\$142	\$48	\$ 1	20	1
Region IV	321	244	411	289	90	45	28	18
Kentucky	321	297	417	378	96	81	30	27
North Carolina	309	254	376	297	67	43	22	17
Tennessee	284	232	375	300	91	68	32	29
Virginia	313	218	410	263	97	45	31	21
West Virginia	373	389	476	270	103	-119	28	-31
Region V	173	112	181	104	8	-8	5	-7
Alabama	137	77	79	-3	-58	-80	-42	-104
Florida	276	175	299	195	23	20	8	11
Georgia	141	97	181	132	40	35	28	36
South Carolina	213	158	282	209	69	51	32	32
Region VI	193	158	232	154	39	-4	20	-3
Arkansas	205	186	289	253	84	67	41	36
Louisiana	209	161	219	150	10	-11	5	-7
Mississippi	166	140	169	107	3	-33	2	-24
Region VIII	318	145	393	176	75	31	24	21
Oklahoma	314	166	393	232	79	66	25	40
Texas	323	139	394	162	71	23	22	17

#### Production for Home Use

Negro families on the RR program showed a greater rate of progress in growing products for home use than white families. They nearly doubled the value of products grown for home use while white families increased theirs by almost two-thirds. Negroes more than doubled the value of home-grown products in four States - Alabama, Arkansas, Georgia and South Carolina - and whites did likewise in Arkansas and South Carolina. The rate of increase for Negroes exceeded that for whites in every State except Kentucky.

There was no great difference in the actual value of the increase; for Negroes it was \$120 as compared with \$115 for whites. In eight States the actual value of the average increase in home-use goods for white borrowers exceeded that for Negroes. The fact that the latter raised such a small amount of food before





coming on the program would make any like amount of increase proportionately higher for them than for whites. They fell below white borrowers in average value of goods for home use in every State during the year before acceptance. The same was also true for 1940. The before-acceptance average value of home-use products was \$132 for Negroes and \$185 for whites and in 1940 the average value was \$252 and \$300 respectively. (Table 12).

Table 12. Average Value of Products Grown for Home Use  
by White and Negro RR Borrowers in the South  
for Year Before Acceptance and 1940  
for Region and State

Region and State	Average value of home use products				Change in value of products grown for home use			
	Year before acceptance		1940 crop year		Amount		Percent	
	White	Negro	White	Negro	White	Negro	White	Negro
The Four Southern Regions	\$185	\$132	\$300	\$252	\$115	\$120	62	91
Region IV	290	250	372	367	82	117	28	47
Kentucky	292	268	372	334	80	66	27	25
North Carolina	323	276	431	409	108	133	33	48
Tennessee	246	221	334	318	88	97	36	44
Virginia	258	211	334	312	76	101	29	48
West Virginia	316	265	371	316	55	51	17	19
Region V	136	105	250	224	114	119	84	113
Alabama	120	85	216	180	96	95	80	112
Florida	127	110	205	176	78	66	61	60
Georgia	152	123	287	251	125	128	89	104
South Carolina	147	117	312	280	165	163	112	139
Region VI	166	144	299	269	133	125	80	87
Arkansas	152	122	321	270	169	148	111	121
Louisiana	177	149	274	273	97	124	55	83
Mississippi	178	151	286	266	108	115	61	76
Region VIII	175	132	308	241	133	109	76	83
Oklahoma	175	136	310	254	135	118	77	87
Texas	175	131	305	238	130	107	74	82

The value of home-use goods produced by Negroes in Region IV during the year before acceptance was much greater than the average for all Southern regions and it remained greater in 1940. Before coming on the program over two-fifths of the net income of both white and Negro families was accounted for by products for home use. The proportion fell below two-fifths only for whites in Region VIII. With the stress on improved family living through production of home-use goods the value of these products by 1940 accounted for over one-half of the average net income of standard borrower in the South.



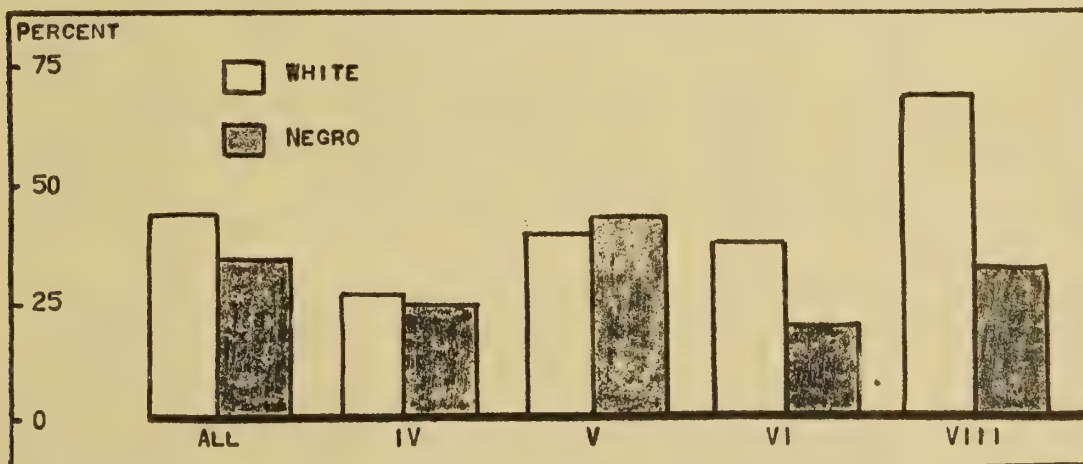


For whites the proportion ranged from  $\frac{44}{100}$  to 73 percent and for Negroes from  $\frac{47}{100}$  to 71 percent, excluding Alabama.<sup>8/</sup> Out of the 14 States composing the four Southern regions seven, all except one in Regions V and VI, showed that over half of the average net income for white borrowers was in the form of home-use products. The same was true for Negroes in 12 of the 14 States.

### Farm Expense

All Southern borrowers increased their farm expenses. White borrowers increased their expenses at a rate 10 percent faster than Negroes. Considering that white borrowers increased their net worth at an average rate seven times that for Negroes, it is likely that they spent a greater amount for new equipment and improvements about the farm than did Negro borrowers. Some indication of this is noted in the exceptional rise of farm expense for white borrowers in Region VIII where the trend is towards the use of tractors and other power equipment. In this region white farm expenditures increased 69 percent while Negro farm expenditures increased 32 percent or only half as fast. White borrowers increased their farm expenditures faster than Negroes in three of the four Southern regions and in the fourth the difference was slight.

FIG. J. PERCENT CHANGE IN FARM EXPENSE BY RACE AND BY REGION



The average before-acceptance farm expense for white borrowers was \$13 $\frac{1}{4}$  with a range of \$68 in Arkansas to \$192 in Texas. By 1940 the average expense had increased to \$193 or  $\frac{44}{100}$  percent, the range being from \$107 in Arkansas to \$313 in Texas. Region VIII was above average and Region VI was below at both times. White borrowers in seven of the States, or one-half of them, showed average increases of 50 percent or more in farm expenditures. (Table 13).

<sup>8/</sup> In Alabama the figure for the value of home-use products exceeded that for net income by two percent or was 102 percent as great. It appears that Negro borrowers in Alabama operated at a loss. The average gross cash income and rental value of the farm dwelling was \$161 as compared with cash farm operating expense of \$164. In such a case the value of home-use products more than accounted for the net income of these borrowers since products grown for home consumption are not used to pay operating expenses.



Table 13. Average Annual Farm Expense of White and Negro RR Borrowers for Year Before Acceptance and 1940 by Region and State

Region and State	Farm Expenses					
	Year		1940		Percent change	
	before acceptance		crop year			
	White	Negro	White	Negro	White	Negro
The Four Southern Regions	\$134	\$105	\$193	\$141	44	34
Region IV	137	132	173	164	26	24
Kentucky	114	145	159	149	39	3
North Carolina	168	149	185	177	10	19
Tennessee	87	63	131	105	51	67
Virginia	150	119	187	158	25	33
West Virginia	166	102	202	138	22	35
Region V	145	116	202	165	39	42
Alabama	124	99	186	164	50	66
Florida	181	88	192	102	6	16
Georgia	141	142	217	182	54	28
South Carolina	155	124	224	172	45	39
Region VI	85	85	117	102	38	20
Arkansas	68	72	107	116	57	61
Louisiana	101	81	122	81	21	0
Mississippi	98	97	126	111	29	14
Region VIII	175	77	295	102	69	32
Oklahoma	158	75	276	107	75	43
Texas	192	78	313	101	63	29

Negro families spent an average of \$105 for farm purposes before becoming standard borrowers. The range was from \$63 in Tennessee to \$149 in North Carolina. (Table 13). All States in Regions VI and VIII were below average and four out of the nine in Regions IV and V were also below average. By the end of 1940 farm expenses had increased 36 percent and averaged \$141. The range was from \$90 in Louisiana to \$182 in Georgia. Negro borrowers in Regions VI and VIII continued to show below-average expenditures, whereas those in Alabama spent above average. Farm expenditures in Alabama increased 66 percent nevertheless, net worth declined by the same proportion. Three States showed an average increase of 50 percent or more in farm expenditures for Negroes and seven for whites.

The progress made by standard RR borrowers was not evenly distributed; there were definite racial, regional and State differences. White borrowers made greater proportionate gains in net worth in three out of the four regions. They lost net worth in Alabama and Florida along with Negroes who also suffered losses in West Virginia. Negroes, however, made greater proportionate gains in net income in three of the four regions due largely to the greater





emphasis they placed on producing for family consumption. They had only an average gain of one dollar in net cash income and actually suffered losses in Regions V and VI. White borrowers increased their net cash income \$48 even though they had larger proportionate increases in farm expenses in three of the four regions studied. On a whole then it appears that white borrowers made relatively more progress in 1940 than Negro borrowers. In fact, the actual amount of change in net worth, net income, gross income and farm expense was generally greater for whites than for Negroes even when the proportionate gain was less. However, this was due in part to the fact that white operators had larger net worths and net incomes when they became borrowers.

#### IV. PROGRESS OF NEGRO BORROWERS RELATIVE TO LENGTH OF TIME ON THE PROGRAM

The RR program has been in operation now for six years. Some of the original Negro standard borrowers are still on the program and new ones have been added each year. It was at first thought that by the end of a five-year period all borrowers in a given group would have repaid their loans and graduated off the program. Six years have passed and a number of these original borrowers are still on the program, some of whom appear to be slipping rather than progressing. The time required for some of these low-income farmers to achieve rehabilitation therefore, may be longer than five years.

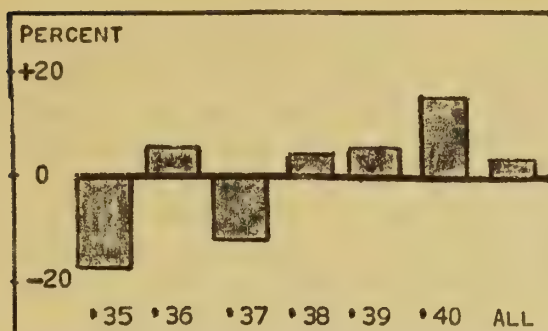
This section is concerned with the status of Negro standard borrowers in 1940 in relation to the time they have been on the program. As the time on the program lengthens fewer of the group who came on in a given year remain. This is due to some borrowers leaving the program either by paying up their loans or being dropped from the active list, and means that the borrowers remaining on the program may become more selective each year. Nevertheless, the relative progress made by those remaining will give some indication as to whether they are making the desired progress towards rehabilitation. It would seem that those on the program longer would register greater progress over before-acceptance status. However, this does not seem to be the case entirely. In fact several years may be required to build up the resources of some of these low-income farmers to the point where they can operate on an effective basis and show sustained improvements. Except for gains made in net income it appears that Negro borrowers fail to make cumulative yearly progress towards rehabilitation. Those borrowers who have been on the program one year increased net income 34 percent whereas those on for the sixth year had an increase of 80 percent. The average increase in net worth for all borrowers was only three percent, but those who came on the program in 1935 and 1937 showed an average loss. The number of supplemental loans received increased with time on the program as did the average amount of loans outstanding.





## Net Worth

FIG. K. CHANGE IN NET WORTH  
BY FIRST YEAR ON PROGRAM



The average net worth of Negro borrowers at the end of the 1940 crop year was \$400. This was a gain of three percent over the before acceptance figure. All borrowers showed an average gain except those who came on the program in 1935 and 1937. They showed an average loss of 17 and 11 percent respectively. Only the 1935 borrowers fell below the average net worth of all borrowers in 1940. They had the lowest average before acceptance net worth and actually lost over one-sixth of this meager amount. The 1937 borrowers

had a relatively high before acceptance net worth and despite losing over one-tenth of this by the end of 1940 they were still a little above the average for all borrowers.

It is evident that Negro borrowers are not building up their net worth from year to year, although they may have more work stock and equipment on the place. In fact those on the program three years or more, contrary to expectation, show greater proportionate losses. (Table 14). This unfavorable trend is due in part to two factors. First, many of the better borrowers are apparently paying up their loans and leaving the program. Second, many borrowers receive one or more supplemental loans each year without having made payment on previous loans. This yearly increase in debt load lowers the borrower's equity in his assets. With some loans being made on a more or less character basis they are not actually covered by collateral, and the debt may run well beyond the resources of the farming enterprise. This does not necessarily mean that these borrowers are failing to make progress as evidenced by the substantial gains made in net income. It does mean that these loans actually make possible the acquisition of implements and work-stock necessary for efficient operation. There is no doubt that many of these borrowers will eventually pay off their debts and graduate from the program but the task of regaining substantial equity in their assets will just take a comparatively longer time.

Table 14. Percent Distribution of Negro ER Borrowers  
According to Net Worth at the End of 1940  
by the First Year on Program

	All	First year on program					
Net worth	Years	1940	1939	1938	1937	1936	1935
Total Number	<u>1</u> /11,960	739	4,805	1,545	860	2,653	1,358
		Percent Distribution					
Total Percent	100	100	100	100	100	100	100
Minus Net Worth	23	6	15	19	28	29	47
Under \$500	60	67	65	64	57	57	44
\$500 - 999	14	22	17	15	12	12	7
\$1,000 and over	3	5	3	2	3	2	2
Average 1940	\$400	560	412	431	404	413	191
Average BA	\$389	485	393	415	454	394	230
Av. Percent Change	3	15	5	4	-11	5	-17

I/ Ten borrowers whose first year on program was not reported are excluded.

1000

1000

1000

1000

1000

1000

### Loans Outstanding and Supplemental Loans

Practically all Negro borrowers had loans outstanding at the end of 1940. Only one percent had paid up the amount due. Five percent of the 1940 borrowers had no loans outstanding as compared with two percent or less for any other year and only .3 percent for the 1935 group. At the same time one-third of all borrowers had \$500 or more outstanding. Over half of the 1935 group owed \$500 or more on loans. (Table 15). The average amount outstanding was \$438. The 1935 borrowers owed an average of \$567 or over \$100 more than any other group. The average amount outstanding was larger as the time on program increased. It is quite evident therefore that many borrowers are increasing their debt load by failing to make payment on their old loans and still getting additional ones.

Table 15. Percent Distribution of Negro RR Borrowers  
According to Amount of Loans Outstanding  
by the First Year on Program

Amount of Loan Outstanding	All Years	First Year on Program					
		1940	1939	1938	1937	1936	1935
Percent Distribution							
Total Percent	100	100	100	100	100	100	100
None	1	5	1	2	2	1	1/
Under \$500	64	72	69	67	61	63	44
\$500 - 999	32	22	29	29	33	32	49
\$1,000 and over	3	1/	1	2	4	4	7
Average Amount	\$438	356	418	417	444	443	567
1/ Less than .5 percent.							

Approximately five out of six borrowers have received at least one supplemental loan and the average for all borrowers is 2.2. The average number of supplemental loans received increases with time on the program. The average was only .3 for the 1940 group as compared with 4.5 for the 1935 group. (Table 16). Many of these loans are no doubt small and made for special purposes. For example, in 1940 many borrowers were made supplemental loans to participate in the defense chicken program. (Loans were made with which to purchase baby chicks and to provide adequate facilities for their care). Also supplemental loans are made so as to enable borrowers to participate in medical associations, cooperatives and other organizations, and also for other purposes not provided for in the farm and home plan. Still others are made to provide operating capital for the year. Nevertheless these loans, though small, increase the debt load when unpaid.



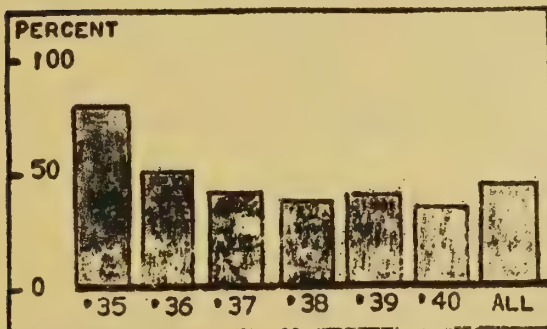


Table 16. Percent Distribution of Negro RR Borrowers According to Number of Supplemental Loans Received by the First Year on Program

Number of Supplemental Loans	All Years	First Year on Program					
		1940	1939	1938	1937	1936	1935
		Percent Distribution					
Total Percent	100	100	100	100	100	100	100
None	18	80	17	11	9	14	5
One	32	17	64	14	11	9	5
Two	16	3	15	49	13	8	6
Three	9	1/	3	18	34	12	6
Four	10	1/	1	5	16	29	15
Five or more	15	1/	1/	3	17	28	63
Average No. of Loans	2.2	0.3	1.1	2.1	3.0	3.5	4.5
1/ Less than .5 percent.							

#### Net Income

FIG. L. CHANGE IN NET INCOME BY FIRST YEAR ON PROGRAM



Negro borrowers increased their net income yearly. All borrowers showed an average increase according to length of time on the program. The rate of increase was highest for the group who had been on longest and lowest for the group to come on last. The 1935 group had an average increase of 80 percent over the before acceptance figure and the 1940 group had an average increase of 34 percent. (Table 17).

Despite an average increase of 44 percent in net income over the before-acceptance figure for all Negro borrowers almost one-fourth of them actually lost. Approximately one-fifth or more of the borrowers who came on the program in each year lost in net income. However, over one-fifth of all borrowers more than doubled the before-acceptance figure. Of those who became borrowers in 1935 and 1936 one-third or more at least doubled their net income.

1891  
The first of the year  
was a very dry one  
and the crops were  
very poor.

The second of the year  
was a very wet one  
and the crops were  
very good.

The third of the year  
was a very dry one  
and the crops were  
very poor.

The fourth of the year  
was a very wet one  
and the crops were  
very good.

The fifth of the year  
was a very dry one  
and the crops were  
very poor.

The sixth of the year  
was a very wet one  
and the crops were  
very good.



Table 17. Percent Distribution of Negro Standard RR Borrowers  
According to Percent Change in Net Income Between  
the Year Before Acceptance and 1940  
by the First Year on Program

Percent Change in Net Income	All Years	First Year on Program					
		1940	1939	1938	1937	1936	1935
Percent Distribution							
Total Percent	100	100	100	100	100	100	100
Decrease	25	22	27	26	25	21	19
Under 50%	28	36	29	31	28	27	23
50 - 99	19	19	19	16	18	20	20
100 and over	28	23	25	27	29	32	38
Average percent change	44	34	39	37	42	51	80
Average Net Income, 1940	\$394	478	384	404	410	401	347
Average Net Income, BA	\$273	354	276	295	289	265	193

The greater portion of this increase in net income was due to a larger production of home consumption goods. The average increase for all borrowers was nine-tenths and was over four-fifths for each group according to time on the program. For the 1935 group the increase was 121 percent. No doubt many borrowers are increasing their home production to the fullest. Any further increase in net income should be a result of greater cash income. It appears, however, that some of the increase already noted was made at the expense of cash. Cash income dropped for those who came on the program since the 1937 crop year and increased very little for those who came on before that time. For all Negro borrowers the average increase in net cash income was only one dollar. For continued progress towards rehabilitation, however, it is necessary that a rise in net income also reflect a rise in cash income.

#### The Picture by First Year on Program

1935 Borrowers - These borrowers have completed their sixth year on the RR program, yet they show an average loss of over one-sixth in their net worths. Over half of them lost in net worth during 1940 and almost half of them now have no equity in their assets. They have received an average of 4.5 supplemental loans and owe over \$550 on loan advances. They more than doubled their production for home use and increased their net cash income by one-third.

1936 Borrowers - These borrowers have completed their fifth year on the RR program and show an average gain of only five percent in their net worths. Almost half of them lost net worth during 1940 and about 3 out of 10 now have no equity in their assets. They have received an average of 3.5 supplemental loans and have an average of \$443 in loans outstanding. Although they increased their production for home use by four-fifths they increased the amount of cash available for family use by only one-fifth.





1937 Borrowers - By the end of their fourth year on the RR program this group of borrowers had lost over one-tenth of their net worths. Over half of them lost in net worth during 1940 and over one-fourth of them now have a "minus net worth". They have received an average of three supplemental loans and still owe over \$440 on loans received. They increased their production for home use by four-fifths but had very little more cash available for family living expenses and debt payments.

1938 Borrowers - After three years on the RR program these borrowers increased their net worths only four percent. Almost half of them had a decrease in net worth during 1940 and about 1 out of 5 is without equity in his assets. They have received an average of two supplemental loans and still owe over \$400 on loans received. They increased their production in home use by over nine-tenths but actually had less cash to meet family obligations.

1939 Borrowers - This group of borrowers increased their net worths by five percent in the two years they have been on the RR program. Nevertheless, over two-fifths lost equity in 1940 and almost 1 out of 6 have lost all equity in their assets. Although they have received an average of one supplemental loan they still have an average of over \$400 in unpaid advances. They increased their production for home use by nine-tenths but actually had less cash to meet family obligations.

1940 Borrowers - These borrowers have completed their first year on the RR program and show an average gain of nearly one-sixth in their net worths. Although one out of four lost equity during the year only 1 out of 16 is without any equity in his assets. One-fifth of this group has received at least one supplemental loan and they all have an average of \$356 in loans outstanding. During the year they increased their production for home use by four-fifths yet had no increase in the amount of cash available for family living expenses.

Considering the changes in net worth, net income and the amount of loans outstanding as indications of progress those borrowers who came on the program in the past three years are making much better progress than those who came on earlier. Can it be that the better borrowers in the older groups have graduated from the program and many of those remaining are problem cases? Are the present techniques for rehabilitation adapted to the needs of these families? Is the type of supervision received by these borrowers intensive enough to be effective? At least three things seem clear. 1. As the poorer borrowers remain on the program their debt load, especially as a result of unpaid loans, is increasing beyond their ability to pay and they are losing equity in their assets at an alarming rate. 2. Their present loans outstanding may need to be scaled down and they be made substantial grants in lieu of or along with supplemental loans. 3. If they are to make progress towards the goal of rehabilitation some means must be found to increase their cash income and enable them to meet their obligations. Otherwise the RR program may have to be adjusted to carry a growing number of "non-rehabilitatable" families on a more or less permanent basis or fail to care for those borrowers farthest down on the economic scale.







